

# PERAC AUDIT REPORT



Maynard Contributory  
Retirement System



JAN. 1, 2006 - DEC. 31, 2007



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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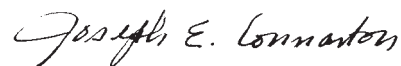
March 23, 2009

The Public Employee Retirement Administration Commission has completed an examination of the Maynard Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Richard Ackerson and James Sweeney who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# EXPLANATION OF FINDINGS AND RECOMMENDATIONS

## **I. Membership Data**

During the membership review, it was noted that some member data was incorrect. There were many incorrect contribution rates, creditable service amounts, and other critical data. It was determined that this happened when the Board converted from a mainly manual system to a new automated system. The Board was aware of the situation and plans to correct the data.

It should be noted that the deduction rates being used in the payroll system are correct.

### **Recommendation**

The Board must make the file cleanup a priority. Actuarial data has to be submitted to PERAC by March 31, 2009 and it is critical that corrections are completed so that accurate data is submitted in a timely manner. Also, any reports such as the member's Annuity Savings Account Statement would include incorrect data unless the cleanup is completed.

### **Board Response:**

During 2008, the Maynard Retirement Board voted to implement a new software system, PTG PensionPro. In order to implement this new software, all of the data from the previous system had to be updated and converted. This project requires converting over 400 active, inactive and retired member records; each having 5-10 separate data fields. As one might predict, this is a major undertaking, but will greatly enhance the performance and service of the Maynard Retirement System. As of the date of this report, the Executive Director is in the process of completing the data conversion and has set March 31, 2009 as the project's completion date.

The Maynard Retirement Board requests that, if possible, PERAC return to inspect the data no later than its six-month target follow-up date. At that time, we are confident that the data conversion will be complete and all Retirement System data will be 100% accurate.

## **2. Outstanding Checks**

A review of the bank reconciliations prepared by the Town Treasurer disclosed that the Citizens Bank checking account had two outstanding checks for more than six months. Also, a closed Bank of America checking account had six outstanding checks for more than six months. These outstanding checks totaled \$4,770.

### **Recommendation**

Checks outstanding for more than six months must be researched and the proper voiding and adjusting entries processed.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

### ***Board Response:***

The Town Treasurer is investigating all outstanding checks. In addition, the Treasurer will review all future outstanding checks in a timely manner, to avoid any future problems with outstanding checks.

Again, we encourage PERAC audit staff to review this finding during its six-month follow-up audit.

### **FINAL DETERMINATION:**

***PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.***

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DECEMBER 31,	
		2007	2006
<b>Net Assets Available For Benefits:</b>			
Cash		\$1,525,629	\$1,031,112
Fixed Income Securities		10,859,446	10,026,214
Equities		13,765,094	12,649,440
Interest Due and Accrued		70,473	80,173
Accounts Receivable		4,175	0
Accounts Payable		(36,395)	(30,049)
<b>Total</b>		<u>\$26,188,422</u>	<u>\$23,756,889</u>
<b>Fund Balances:</b>			
Annuity Savings Fund		\$5,853,877	\$5,760,676
Annuity Reserve Fund		1,971,391	1,590,058
Pension Fund		1,811,757	1,708,533
Military Service Fund		13,045	13,565
Expense Fund		0	0
Pension Reserve Fund		<u>16,538,352</u>	<u>14,684,057</u>
<b>Total</b>		<u>\$26,188,422</u>	<u>\$23,756,889</u>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$5,322,688	\$1,446,602	\$1,712,827	\$13,485	\$0	\$13,191,428	\$21,687,030
Receipts	762,782	45,255	1,358,354	81	189,221	1,490,075	3,845,768
Interfund Transfers	(274,206)	271,652	0	0	0	2,554	(0)
Disbursements	(50,589)	(173,451)	(1,362,647)	0	(189,221)	0	(1,775,908)
Ending Balance (2006)	5,760,676	1,590,058	1,708,533	13,565	0	14,684,057	23,756,889
Receipts	674,891	55,666	1,599,818	78	219,473	1,854,294	4,404,221
Interfund Transfers	(536,556)	537,155	0	(599)	0	0	(0)
Disbursements	(45,134)	(211,488)	(1,496,594)	0	(219,473)	0	(1,972,689)
Ending Balance (2007)	<u>\$5,853,877</u>	<u>\$1,971,391</u>	<u>\$1,811,757</u>	<u>\$13,045</u>	<u>\$0</u>	<u>\$16,538,352</u>	<u>\$26,188,422</u>

# STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
<b>Annuity Savings Fund:</b>		
Members Deductions	\$619,339	\$562,833
Transfers from Other Systems	17,232	122,792
Member Make Up Payments and Re-deposits	5,990	45,699
Member Payments from Rollovers	0	0
Investment Income Credited to Member Accounts	32,330	31,458
Sub Total	<u>674,891</u>	<u>762,782</u>
<b>Annuity Reserve Fund:</b>		
Investment Income Credited to the Annuity Reserve Fund	55,666	45,255
<b>Pension Fund:</b>		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	60,046	68,428
	39,772	52,724
Pension Fund Appropriation	<u>1,500,000</u>	<u>1,237,202</u>
Sub Total	<u>1,599,818</u>	<u>1,358,354</u>
<b>Military Service Fund:</b>		
Contribution Received from Municipality on Account of Military Service	0	0
Investment Income Credited to the Military Service Fund	78	81
Sub Total	<u>78</u>	<u>81</u>
<b>Expense Fund:</b>		
Expense Fund Appropriation	0	0
Investment Income Credited to the Expense Fund	<u>219,473</u>	<u>189,221</u>
Sub Total	<u>219,473</u>	<u>189,221</u>
<b>Pension Reserve Fund:</b>		
Federal Grant Reimbursement	540	900
Pension Reserve Appropriation	0	49,513
Interest Not Refunded	812	900
Miscellaneous Income	106	17
Excess Investment Income	<u>1,852,837</u>	<u>1,438,745</u>
Sub Total	<u>1,854,294</u>	<u>1,490,075</u>
<b>Total Receipts</b>	<u><b>\$4,404,221</b></u>	<u><b>\$3,845,768</b></u>



# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
<b>Annuity Savings Fund:</b>		
Refunds to Members	\$28,886	\$45,048
Transfers to Other Systems	<u>16,248</u>	<u>5,541</u>
Sub Total	<u>45,134</u>	<u>50,589</u>
<b>Annuity Reserve Fund:</b>		
Annuities Paid	211,488	173,451
Option B Refunds	<u>0</u>	<u>0</u>
Sub Total	<u>211,488</u>	<u>173,451</u>
<b>Pension Fund:</b>		
Pensions Paid:		
Regular Pension Payments	1,070,842	996,967
Survivorship Payments	51,511	38,720
Ordinary Disability Payments	43,038	41,256
Accidental Disability Payments	162,008	129,530
Accidental Death Payments	63,508	42,140
Section 101 Benefits	<u>0</u>	<u>0</u>
3 (8) (c) Reimbursements to Other Systems	64,983	64,330
State Reimbursable COLA's Paid	40,705	49,705
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
Sub Total	<u>1,496,594</u>	<u>1,362,647</u>
<b>Military Service Fund:</b>		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>		
Board Member Stipend	3,000	3,000
Salaries	24,820	32,400
Legal Expenses	37	10,428
Medical Expenses	<u>0</u>	<u>0</u>
Travel Expenses	3,972	2,108
Administrative Expenses	59,251	8,137
Furniture and Equipment	1,961	<u>0</u>
Management Fees	107,553	114,678
Custodial Fees	18,879	18,471
Consultant Fees	<u>0</u>	<u>0</u>
Rent Expenses	<u>0</u>	<u>0</u>
Service Contracts	<u>0</u>	<u>0</u>
Fiduciary Insurance	<u>0</u>	<u>0</u>
Sub Total	<u>219,473</u>	<u>189,221</u>
<b>Total Disbursements</b>	<u><b>\$1,972,689</b></u>	<u><b>\$1,775,908</b></u>

# INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
<b>Investment Income Received From:</b>		
Cash	\$41,302	\$42,427
Short Term Investments	106	812
Fixed Income	646,579	475,144
Equities	260,182	216,962
Pooled or Mutual Funds	0	31
Commission Recapture	0	0
<b>Total Investment Income</b>	<u>948,169</u>	<u>735,376</u>
<b>Plus:</b>		
Realized Gains	523,692	652,514
Unrealized Gains	2,208,183	1,647,999
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>70,473</u>	<u>80,173</u>
Sub Total	<u>2,802,348</u>	<u>2,380,685</u>
<b>Less:</b>		
Paid Accrued Interest on Fixed Income Securities	(95,720)	43,739
Realized Loss	(584,434)	(907,376)
Unrealized Loss	(829,806)	(434,367)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(80,173)</u>	<u>(113,298)</u>
Sub Total	<u>(1,590,132)</u>	<u>(1,411,302)</u>
<b>Net Investment Income</b>	<u>2,160,385</u>	<u>1,704,760</u>
<b>Income Required:</b>		
Annuity Savings Fund	32,330	31,458
Annuity Reserve Fund	55,666	45,255
Military Service Fund	78	81
Expense Fund	<u>219,473</u>	<u>189,221</u>
<b>Total Income Required</b>	<u>307,548</u>	<u>266,015</u>
Net Investment Income	<u>2,160,385</u>	<u>1,704,760</u>
Less: Total Income Required	<u>307,548</u>	<u>266,015</u>
<b>Excess Income To The Pension Reserve Fund</b>	<u>\$1,852,837</u>	<u>\$1,438,745</u>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,525,629	5.8%	
Fixed Income	10,859,446	41.5%	80%
Equities	13,765,094	52.6%	60%
<b>Grand Total</b>	<u>\$26,150,169</u>	<u>100.0%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Maynard Retirement System was 8.92%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Maynard Retirement System averaged 11.28%. For the 23-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Maynard Retirement System was 9.03%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Maynard Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

October 16, 1997

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 20% of the total fixed income portfolio valued at market.

October 8, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities, which shall not exceed 10% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.06(8) Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Maynard Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

### ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

### PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

#### **Group 1:**

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

#### **Group 2:**

Certain specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

### RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

### RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

### SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

### DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

### WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

#### ORDINARY DISABILITY

**Eligibility:** Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

**Retirement Allowance:** Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

#### ACCIDENTAL DISABILITY

**Eligibility:** Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

### DEATH IN ACTIVE SERVICE

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Maynard Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

December 12, 1984

As of April 1, 1979, employees shall become members of the Town of Maynard Contributory Retirement System only when they work at least twenty-five (25) hours per week and a minimum of forty (40) weeks per year. Part-time service will be prorated on the basis of annual dollar earnings as compared with the dollar earnings of a comparable full time position.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Kenneth R. DeMars

Appointed Member: Thomas A. Natoli                      Term Expires: Indefinite

Elected Member: Robert W. Larkin                      Term Expires: 04/01/09

Elected Member: Gerard P. Flood                      Term Expires: 04/01/09

Appointed Member: Christopher Connolly                      Term Expires: 04/01/10

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex-officio Member:	)	\$500,000 Employee Dishonesty
Elected Member:	)	Hanover Insurance
Appointed Member:	)	
Staff Employee:	)	

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2007.

The actuarial liability for active members was	\$16,193,527
The actuarial liability for retired and inactive members was	<u>14,573,710</u>
The total actuarial liability was	30,767,237
System assets as of that date were	<u>23,118,085</u>
 The unfunded actuarial liability was	 <u>\$7,649,152</u>
The ratio of system's assets to total actuarial liability was	75.1%
As of that date the total covered employee payroll was	\$6,557,847

The normal cost for employees on that date was 7.92% of payroll

The normal cost for the employer was 6.76% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	Varies by group and service

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2007	\$23,118,085	\$30,767,237	\$7,649,152	75.1%	\$6,557,847	116.6%
1/1/2004	\$17,489,248	\$27,428,352	\$9,939,104	63.8%	\$6,046,440	164.4%
1/1/2003	\$14,439,196	\$25,638,288	\$11,199,092	56.3%	\$6,098,305	183.6%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Retirement in Past Years</b>										
Superannuation	2	2	1	3	4	4	3	6	5	6
Ordinary Disability	0	0	0	1	0	0	0	0	0	0
Accidental Disability	0	0	1	0	0	0	0	0	0	1
<b>Total Retirements</b>	2	2	2	4	4	4	3	6	5	7
Total Retirees, Beneficiaries and Survivors	85	82	80	79	83	81	80	83	85	88
Total Active Members	173	181	195	204	197	180	193	180	186	198
<b>Pension Payments</b>										
Superannuation	\$585,744	\$598,818	\$663,385	\$706,073	\$761,276	\$855,697	\$883,860	\$903,784	\$996,967	\$1,070,842
Survivor/Beneficiary Payments	35,937	36,372	38,286	35,709	36,951	37,923	36,104	41,723	38,720	51,511
Ordinary Disability	39,622	40,059	42,601	66,217	67,108	68,797	51,097	48,611	41,256	43,038
Accidental Disability	140,690	141,365	200,207	145,288	146,402	148,562	150,722	152,882	129,530	162,008
Other	36,333	36,524	39,202	63,713	74,805	80,249	84,861	98,254	156,174	169,196
<b>Total Payments for Year</b>	<u>\$838,326</u>	<u>\$853,138</u>	<u>\$983,681</u>	<u>\$1,016,999</u>	<u>\$1,086,543</u>	<u>\$1,191,228</u>	<u>\$1,206,645</u>	<u>\$1,245,254</u>	<u>\$1,362,647</u>	<u>\$1,496,594</u>



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